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STRONG GROWTH MEANS KEEPING YOUR EYES ON THE BALL

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EnerVest Diversified Income Trust



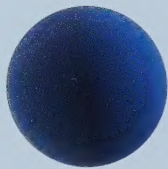
ENERVEST

Valuing Investors

2004



RETURN TO UNITHOLDERS OF
38.0%



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**INCREASE IN NET ASSETS
FROM OPERATIONS OF
\$285.3 MILLION**



■ President's Report to Unitholders

The royalty and income trust sector for 2004 performed as we had anticipated. The sector was strong and efficient, with continual growth of new trusts coming to market as well as good opportunities on existing trusts. Energy trusts led the way with strong commodity pricing and high evaluations. We will continue to monitor closely the oil and gas trusts and prudently hold the core trusts in which we see reasonable growth, value and strength. We continue to favor the business trusts as the economy expands and which should continue to grow. High valuations and a rising interest rate we see as risks to the sector and will be closely monitored. The trust continues to be very diversified in all sectors encompassing approximately 106 trusts in nine separate asset classes.

EnerVest's total return to Unitholders in 2004 was 38.0%. Increase in net assets from operations for 2004 was \$285.3 million. Revenues have increased 49.6% to \$92.7 million. General and administrative costs on a per unit basis declined 19.1% in 2004. The average daily trading volume of EnerVest units increased 68.6% to approximately 347,000 units per day. It is also of note that EnerVest successfully completed a Rights Offering in 2004, with a return of 44.4% to those who participated.

What will 2005 hold? We believe the trust sector will continue to grow with new businesses continuing to utilize the trust model. We expect softening in the higher evaluations on some of the trusts. This should provide selective opportunities for the trust to invest capital prudently. We continue to believe in our solid businesses, proven management, financial review and corporate governance are all critical areas of review, which will enable EnerVest to maximize monthly distributions, preserve capital, reduce risk, and maximize the net asset value over the life of the trust.

On behalf of the EnerVest management team, the board of directors and employees, we again say thank you for your continued trust and support in EnerVest. We will continue to work hard to add value for our investors.



Michael L. Streukens

President and Chief Executive Officer, EnerVest Diversified Management Inc.

Manager of EnerVest Diversified Income Trust

April 15, 2005

■ Investment Manager's Report to Unitholders

The income and royalty trust sector turned in yet another year of solid performance in 2004. Our expectation for 2005 is that the sector will show more modest returns than previous years. Valuations remain relatively high across the major income and royalty asset classes. However, this can generally be said for most financial assets. Valuations have been driven higher by a steady stream of funds flow. The individual investor continues to invest money in this sector as they search to enhance yield. Institutional investors such as pension funds and index funds are also beginning to show an interest. Funds flow appears to remain positive. Rising long term interest rates continue to be the main issue facing the sectors performance. We feel the secular decline in short term interest rates is over. However, we do not expect a dramatic spike in long term interest rates as Canadian economic growth remains modest.

■ Real Estate

The sector trades at the higher end of the valuation range. Most REITS trade at a premium to their net asset value and in the 9 to 12 times cash flow range. We have tended to focus on more niche markets where we see growth potential. This would include holdings such as Sunrise Senior Living REIT, Chartwell Seniors Housing REIT and Boardwalk REIT. The portfolio is weighted 17% in real estate. Core holdings continue to be H&R REIT and RioCan REIT.

■ Consumers Products and Transportation and Environment ("Business Trusts")

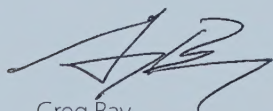
Valuations in this diversified sector remain relatively favorable. Enterprise Value/EBITDA multiples compare favorably to their corporate counterparts. The sectors growth has been largely in the small cap sector which places a premium on fundamental analysis. We continue to weight the portfolio 30% in Business Trusts. Core holdings include: BFI Canada Income Fund, Davis + Henderson Income Fund and Connors Bros. Income Fund.

■ Pipeline and Utility and Energy Distribution

We view this as a defensive sector given our optimistic view on long term interest rates. We continue to maintain a 25% weighting in this sector. Core holdings include: Keyera Facilities Income Fund (formerly Keyspan Facilities Income Fund), Fort Chicago Energy Partners L.P. and Inter Pipeline Fund.

■ Oil and Gas

The oil and gas sector has been in the headlines as oil prices have pushed into the US \$50.00 per barrel range. We feel that oil and natural gas prices will remain strong as supply and demand fundamentals continue to be positive. Within this sector it is important to own trusts with management teams that have a track record for capital efficiency and high quality assets. We look for long life reserves with low operating costs and internally generated development opportunities. We continue to weight the portfolio 18% in energy and energy service. Top holdings include Harvest Energy Trust, Vermillion Energy Trust, Enerplus Resources Fund and ARC Energy Trust.



Greg Bay

President, Cypress Capital Management Ltd.

Investment Manager of EnerVest Diversified Income Trust

April 15, 2005

■ Management's Discussion and Analysis

April 15, 2005

The following is a discussion of EnerVest Diversified Income Trust's results for the year ended December 31, 2004 and should be read in conjunction with the financial statements starting on page 14.

■ Portfolio

The portfolio remains well diversified, comprising 106 funds in nine asset classes as at December 31, 2004. The portfolio weightings are as follows:

Consumer Products	21.4%	Transportation and Environment	8.1%
Oil and Gas	18.4%	Industrials	7.0%
Real Estate	16.5%	Metals and Minerals	2.8%
Pipeline and Utility	16.1%	Paper and Forest Products	1.0%
Energy Distribution	8.7%		

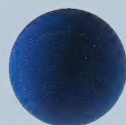
■ Financial Performance

EnerVest Diversified Income Trust showed tremendous growth in 2004 as net assets increased \$464.3 million (64.2%), from \$723.4 million to \$1.2 billion at the end of 2004. This growth was attributable primarily to the increase in net assets from operations (\$285.3 million), the successful Rights Offering (\$156.3 million) and Exchange Offering (\$158.0 million), which closed in February and October, respectively.

EnerVest provided a return to Unitholders in 2004 of 38.0% (2003 - 16.9%) based on the opening Toronto Stock Exchange ("TSX") value of \$6.77 per unit (2003 - \$6.58), the closing value of \$8.40 (2003 - \$6.77), cash distributions of \$0.84 (2003 - \$0.84) and an average trading value of rights of \$0.1024 (2003 - \$0.08).

The return on units issued pursuant to the Rights Offering in February, to December 31, 2004, was 44.4% (based on the capital appreciation of these units plus distributions).

**REVENUES
INCREASED 49.6%
TO \$92.7 MILLION**



In the fourth quarter, EnerVest's total return was 18.9% as compared with 8.9% in the fourth quarter of 2003.

	Quarter Ended 2004				Quarter Ended 2003			
	Dec	Sept	June	March	Dec	Sept	June	March
Revenues (\$ Million)	28.5	23.5	21.7	19.0	18.7	14.2	14.7	14.3
Net Investment Income (\$ Million)	22.5	19.0	17.5	15.2	15.0	11.0	11.8	11.8
Net Investment Income Per Unit	\$0.16	\$0.15	\$0.14	\$0.14	\$0.15	\$0.14	\$0.15	\$0.17
Increase In Net Assets From Operations Per Unit	\$1.03	\$0.70	(\$0.26)	\$0.72	\$0.92	\$0.35	\$0.52	\$0.32

Revenues increased 49.6%, from \$61.9 million in 2003 to \$92.7 million in 2004, mainly due to the larger investment portfolio resulting from the Rights Offering and Exchange Offering.

General and administrative costs increased \$493,000 primarily due to the larger number of units outstanding. However, on a per unit basis, they decreased 19.1%, from \$0.024 in 2003 to \$0.020 in 2004. This reduction is primarily the result of the Manager's continued commitment to reduce general and administrative costs per unit, combined with economies of scale resulting from the increased number of units outstanding. This trend continued during the fourth quarter of 2004 as general and administrative costs per unit decreased 28.7% to \$0.005 per unit from \$0.007 per unit in the fourth quarter in 2003.

Management fees increased \$3.9 million in 2004, from \$7.2 million in 2003 to \$11.1 million. This was due to the larger net asset value of EnerVest which was primarily the result of the increase in net assets from operations, the Rights Offering in February and the Exchange Offering in October.

Interest expense increased by \$1.6 million in 2004 due to the utilization of EnerVest's credit facility which has increased from \$129 million in 2003 to \$228 million in 2004. Consistent with our investment philosophy, funds from this credit facility were invested in attractively priced income and royalty trusts that provide a balance of high cash distributions and the potential for capital appreciation.

Net investment income increased 49.7%, from \$49.6 million in 2003, to \$74.2 million in 2004, primarily as a result of the increased net assets of EnerVest and the higher utilization of leverage in 2004.

EnerVest had realized capital gains of \$22.3 million (2003 - \$5.9 million) and an increase in unrealized gains in its portfolio of \$188.8 million (2003 - \$128.0 million). The resulting increase in net assets from operations was \$285.3 million (\$2.25 per unit) in 2004, a 55.4% increase over the \$183.5 million in 2003 (\$2.23 per unit).

■ Cash Distributions

EnerVest distributed \$0.84 per unit in 2004 and 2003. These distributions represent an annualized pre-tax yield of 12.4% (2003 - 12.8%) based on the opening TSX value of \$6.77 per unit in 2004 (2003 - \$6.58).

The distributions were 43.5% tax deferred in 2004 (2003 - 58.9%). This equates the 12.4% yield on EnerVest units as at December 31, 2003 to an equivalent pre-tax interest rate of 16.5% (2003 - 17.1%), assuming a 50% tax rate and payment of capital gains tax on the return of capital upon disposition of EnerVest units. In 2004, EnerVest continued its perfect record of monthly distributions since its inception as distributions were paid monthly to unitholders of record as of the last day of the month.

■ Liquidity and Capital Resources

EnerVest funds additional investments through equity issues, supplemented by its credit facility. EnerVest does not consider substantial levels of debt financing appropriate and its Declaration of Trust limits borrowing to 20% of total assets. EnerVest has negotiated a margin account with a current limit of \$230 million and an interest rate of prime minus 0.5% per annum. As at December 31, 2004, approximately \$228.0 million (2003 - \$129.0 million) was outstanding on the margin account.

TRADING VOLUMES INCREASED
68.8%

■ Trading Volume

The average trading volume of EnerVest increased 68.8% in 2004 to approximately 347,000 units per day (2003 - 206,000 units per day). For the fourth quarter of 2004, the average daily trading volume of EnerVest was approximately 427,000 units, up 70% from the fourth quarter of 2003 (251,000 units per day). The increased liquidity is primarily the result of the increased asset value of EnerVest and the higher number of units outstanding. EnerVest, the most liquid of all diversified income trusts in 2004, provides investors with the ability to easily move in and out of the market without a discernable effect on EnerVest's price.

■ Equity Issues

During 2004, EnerVest raised approximately \$156.3 million of capital through a Rights Offering and approximately \$158.0 million of capital through an Exchange Offering. In this Exchange Offering, holders of various trust and limited partnership units had the opportunity to exchange their units for units of EnerVest.

During the year, the net assets of EnerVest increased by \$464.3 million, from \$723.4 million to \$1.2 billion, representing a 64.2% increase. This increase was primarily the result of the increase in net assets from operations and equity issues, less distributions declared during the year of \$108.4 million. The Manager believes this increased size provides both enhanced diversification and economies of scale resulting in lower general and administrative costs per unit and increased liquidity.

RETURN TO UNITHOLDERS WHO
PARTICIPATED IN THE RIGHTS
OFFERING OF
44.4%



**GENERAL &
ADMINISTRATIVE COSTS
ON A PER UNIT BASIS
DECLINED 19.1%**



■ Outlook

We are fairly optimistic on the outlook of EnerVest for 2005, although returns in the income and royalty trust sector are not expected to reach the levels of 2004. We have recently seen a weakening in the income and royalty trust sector over year-end values. We believe this adjustment presents an opportunity to selectively purchase units of trusts where valuations have become more attractive.

Current positive trends affecting the sector include continued increasing demand for income producing investments, more institutional investors entering the trust market, continued creation of new income and royalty trusts, a strong Canadian economy, the expectation of continued low interest rates, and strong balance sheets and commodity prices in the oil and gas sector.

Negative trends include potential interest rate increases, a strong Canadian dollar (negatively impacting several trusts including those in the oil and gas sector), high oil and gas prices (negatively affecting the available cash of trusts utilizing energy as an input and consumer spending) and uncertainty concerning the strength of the U.S. economy.

Overall, we believe these factors bode reasonably well for the income and royalty trust sector and for the outlook of EnerVest.

■ Risk Assessment

There are a number of risks associated with the investment business. The principal risks include, but are not limited to, market and income risk. Market risk is the exposure to market price changes in the securities held within the portfolio which have a direct effect on the net asset value of EnerVest. Income risk arises from a number of factors related to the operational performance of the issuers' income and thus reduced distributions to unitholders. Diversification and active management by EnerVest's investment manager of the securities held in the portfolio may reduce these risks.

■ Forward Looking Statements

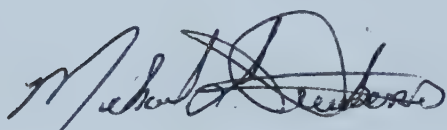
This document contains certain forward looking statements that involve substantial known and unknown risks and uncertainties, certain of which are beyond our control, including: the impact of general economic conditions in Canada and the United States, industry conditions, changes in laws and regulations including the Canadian Income Tax Act, fluctuations in interest rates, commodity prices and foreign exchange, stock market volatility and market valuations of income and royalty trusts. Our actual results, performance or achievement could differ materially from those expressed in, or implied by, these forward looking statements and, accordingly, no assurances can be given that any of the events anticipated by the forward looking statements will transpire or occur, or if any of them do so, what benefits, including the amount of proceeds, that we will derive therefrom.

■ Management's Responsibility Statement

The financial statements of **EnerVest Diversified Income Trust** were prepared by, and are the responsibility of, the management of EnerVest Diversified Management Inc. (the "Manager") as agreed in the Management Agreement between the Manager and the Trust. These statements have been prepared in accordance with Canadian generally accepted accounting principles.

Management has designed and maintains a system of internal controls to safeguard assets and to ensure that transactions are properly authorized and recorded. Where estimates are used, management has ensured that careful judgment has been made and that these estimates are reasonable based on all information known at the time the estimate is made.

The Board of Directors of the Manager is responsible for ensuring that management fulfills its responsibilities for financial reporting and has reviewed and approved these financial statements. The Manager, with the approval of the Board of Directors, has appointed PricewaterhouseCoopers LLP to examine the financial statements of the Trust and provide their independent opinion.



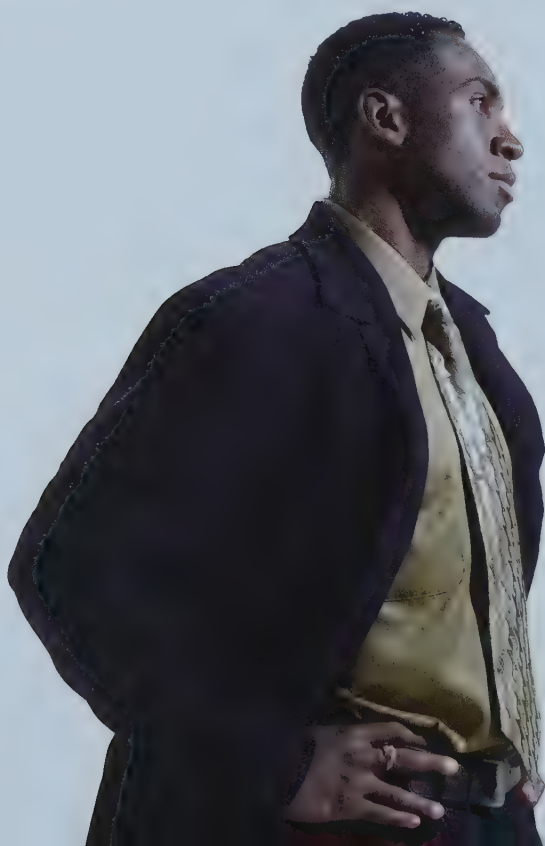
Michael L. Streukens

President and Chief Executive Officer
EnerVest Diversified Management Inc.
April 15, 2005



David J. Fischer

Chief Financial Officer
EnerVest Diversified Management Inc.



■ Auditors' Report

To the Unitholders of EnerVest Diversified Income Trust:

We have audited the statements of net assets and investments of **EnerVest Diversified Income Trust** as at December 31, 2004 and 2003 and the statements of operations and changes in net assets for the years then ended. These financial statements are the responsibility of the Trust's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material aspects, the financial position of the Trust and its portfolio investments as at December 31, 2004 and 2003 and the results of its operations and the changes in its net assets for the years then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

Chartered Accountants

April 15, 2005

Calgary, Alberta



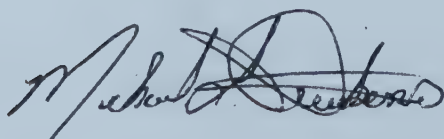
THE DIVERSITY OF
106 TRUSTS GIVES
ENERVEST STABILITY

■ Statements of Net Assets

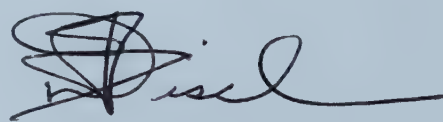
December 31, 2004 and 2003

	2004	2003
(\$ thousands except per unit amounts)	\$	\$
CURRENT ASSETS		
Cash	21,960	3,758
Investments, at market value (cost: 2004 - \$1,047,443; 2003 - \$685,154)	1,400,222	849,169
Accounts receivable	3	6
Distributions receivable	9,422	6,667
Current portion of promissory note receivable (Note 3)	50	50
	<u>1,431,657</u>	<u>859,650</u>
Promissory note receivable (Note 3)	210	260
Deferred charge	-	9
	<u>210</u>	<u>269</u>
	<u>1,431,867</u>	<u>859,919</u>
CURRENT LIABILITIES		
Accounts payable and accrued liabilities (Note 8)	5,791	539
Distributions payable (Note 4)	10,381	7,014
Credit facility (Note 5)	228,000	129,000
	<u>244,172</u>	<u>136,553</u>
NET ASSETS	<u>1,187,695</u>	<u>723,366</u>
UNITS ISSUED AND OUTSTANDING (000's) (Note 6)	<u>148,300</u>	<u>100,205</u>
NET ASSET VALUE PER UNIT	<u>\$8.01</u>	<u>\$7.22</u>

Approved by the Board of EnerVest Diversified Management Inc., as Manager



Director: Michael L. Streukens



Director: David J. Fischer

■ Statements of Operations

Years Ended December 31, 2004 and 2003

	2004	2003
(\$ thousands except per unit amounts)	\$	\$
INVESTMENT REVENUES	92,658	61,935
EXPENSES		
General and administrative (Note 8)	2,485	1,992
Management fees (Note 8)	11,140	7,203
Interest on credit facility (Note 5)	4,805	3,160
	18,430	12,355
NET INVESTMENT INCOME	74,228	49,580
NET GAIN ON SALE OF INVESTMENTS	22,290	5,949
NET CHANGE IN UNREALIZED GAINS	188,764	127,995
INCREASE IN NET ASSETS FROM OPERATIONS	285,282	183,524
WEIGHTED AVERAGE UNITS OUTSTANDING (000's)	127,061	82,400
PER UNIT		
Net Investment Income	\$0.58	\$0.60
Net Gain on Sale of Investments	\$0.18	\$0.07
Net Change in Unrealized Gains	\$1.49	\$1.56
Increase in Net Assets from Operations	\$2.25	\$2.23

■ Statements of Changes in Net Assets

Years Ended December 31, 2004 and 2003

	2004	2003
(\$ thousands)	\$	\$
NET ASSETS, BEGINNING OF YEAR	723,366	392,607
Increase (decrease) in net assets from:		
OPERATIONS	285,282	183,524
UNITHOLDERS TRANSACTIONS		
Net proceeds on issuance of trust units (Note 6)	314,285	237,406
Distributions to unitholders (Note 4)	(108,405)	(70,412)
Return of capital	(30,402)	(21,442)
Proceeds from dividend reinvestment plan (Note 6)	3,569	1,683
	179,047	147,235
NET ASSETS, END OF YEAR	1,187,695	723,366



■ Statements of Investments

December 31, 2004 and 2003

(\$ thousands)	2004			2003		
	Adjusted Cost Base \$	Market Value \$	% of Market	Adjusted Cost Base \$	Market Value \$	% of Market
OIL AND GAS						
Acclaim Energy Trust	9,789	13,234		5,437	6,117	
ARC Energy Trust	11,946	19,093		11,161	14,945	
Baytex Energy Trust	6,704	8,071		-	-	
Bear Creek Energy Ltd.	1,933	2,123		-	-	
Bonavista Energy Trust	9,715	14,555		6,913	8,973	
Canadian Oil Sands Trust	22,829	44,416		22,691	29,708	
Crescent Point Energy Trust	11,909	19,178		15,667	18,948	
Daylight Energy Trust	11,127	12,972		-	-	
Enerplus Resources Fund	10,791	14,386		11,996	18,138	
Esprit Energy Trust	3,121	3,402		-	-	
Focus Energy Trust	6,355	12,134		6,308	9,051	
Freehold Royalty Trust	3,305	6,878		3,410	6,332	
Harvest Energy Trust	8,780	10,943		1,689	2,040	
Ketch Resources Ltd.	6,114	6,616		-	-	
Midnight Oil Exploration Ltd.	1,776	2,297		-	-	
Paramount Energy Trust	8,175	10,393		-	-	
Petrofund Energy Trust	-	-		1,508	1,815	
Progress Energy Trust	15,951	17,289		-	-	
Provident Energy Trust	105	108		-	-	
Starpoint Energy Ltd.	7,652	8,215		-	-	
Vermilion Energy Trust	15,723	29,489		18,127	25,356	
Viking Energy Royalty Trust	1,159	1,219		-	-	
	174,959	257,011	18.4%	104,907	141,423	16.7%
REAL ESTATE						
Alexis Nihon Real Estate Investment Trust	18,497	22,682		14,629	19,115	
Allied Properties REIT	5,527	7,928		4,627	6,097	
Boardwalk Equities Inc.	-	-		19,822	20,244	
Boardwalk Real Estate Investment Trust	24,089	26,250		-	-	
Borealis Retail Real Estate Investment Trust	4,325	5,611		2,626	3,129	
Calloway Real Estate Investment Trust	3,753	4,154		-	-	
Canadian Apartment Properties REIT	2,149	2,921		-	-	
Canadian Hotel Income Properties REIT	147	157		-	-	
Canadian Real Estate Investment Trust	10,887	14,267		7,892	10,445	
Chartwell Seniors Housing REIT	14,675	19,406		9,961	11,537	
Cominar Real Estate Investment Trust	5,063	7,180		4,759	6,112	
Dundee Real Estate Investment Trust	21,044	23,642		4,977	5,295	
H&R Real Estate Investment Trust	10,195	17,190		11,618	16,107	
IPC US Real Estate Investment Trust	-	-		1,847	1,925	
Morguard Real Estate Investment Trust	-	-		634	744	
Northern Property Real Estate Investment Trust	8,126	8,968		2,477	2,713	
O&Y Real Estate Investment Trust	6,152	7,443		1,587	1,825	
Residential Equities REIT	-	-		1,354	1,563	
Retirement Residences REIT	13,438	13,911		10,065	12,147	
Retrocom Mid-Market REIT	4,854	5,043		-	-	
RioCan Real Estate Investment Trust	17,370	29,935		19,184	28,089	
Royal Host Real Estate Investment Trust	3,872	3,763		-	-	
Summit Real Estate Investment Trust	-	-		4,927	6,165	
Sunrise Senior Living REIT	6,699	7,575		-	-	
TGS North American REIT	2,600	2,656		-	-	
	183,462	230,682	16.5%	122,986	153,252	18.0%
PAPER AND FOREST PRODUCTS						
PRT Forest Regeneration Income Fund	6,444	6,200		6,350	5,807	
SFK Pulp Fund	7,302	7,012		7,293	6,766	
TimberWest Forest Corp.	418	448		-	-	
	14,164	13,660	1.0%	13,643	12,573	1.5%

■ Statements of Investments - continued

December 31, 2004 and 2003

	2004			2003		
	Adjusted Cost Base \$	Market Value \$	% of Market	Adjusted Cost Base \$	Market Value \$	% of Market
(\$ thousands)						
CONSUMER PRODUCTS						
A&W Revenue Royalties Income Fund	5,340	6,373		4,966	5,216	
ACS Media Income Fund	15,448	15,126		14,497	16,191	
Arctic Glacier Income Fund	6,142	8,077		8,013	9,126	
Associated Brands Income Fund	-	-		10,796	11,736	
Atlas Cold Storage Income Trust	-	-		14,463	10,244	
Boston Pizza Royalties Income Fund	3,714	5,585		3,446	4,300	
Clearwater Seafoods Income Fund	18,210	16,898		18,686	22,131	
CML Healthcare Income Fund	15,709	17,905		-	-	
Connors Bros. Income Fund	27,131	35,340		10,355	12,914	
The Consumers' Waterheater Income Fund	13,233	17,548		8,875	11,356	
Davis + Henderson Income Fund	16,780	36,196		16,220	27,125	
Firm Capital Mortgage Investment Trust	6,401	7,344		4,650	5,190	
Gateway Casinos Income Fund	17,956	27,092		6,314	9,741	
Golf Town Income Fund	2,982	3,480		-	-	
Home Equity Income Trust	81	86		-	-	
Hot House Growers Income Fund	-	-		1,800	1,982	
The Keg Royalties Income Fund	100	125		6,326	6,565	
Medical Facilities Corporation IPS	5,631	6,397		-	-	
Menu Foods Income Fund	18,658	20,079		14,971	14,739	
North West Company Fund	458	531		-	-	
Richards Packaging Income Fund	5,702	6,268		-	-	
Rogers Sugar Income Fund	10,136	11,824		2,145	2,406	
ROW Entertainment Income Fund	3,260	3,333		-	-	
SCI Income Trust	5,592	7,626		5,603	6,869	
Sleep Country Canada Income Fund	109	143		-	-	
Sun Gro Horticulture Income Fund	16,014	15,146		12,251	10,520	
UE Waterheater Income Fund	9,550	12,058		7,245	8,294	
Yellow Pages Income Fund	16,438	18,981		7,614	7,598	
	240,775	299,561	21.4%	179,236	204,243	24.0%
ENERGY DISTRIBUTION						
AltaGas Income Trust	25,748	29,675		-	-	
Energy Savings Income Fund	18,892	29,294		5,676	9,880	
Gaz Metro Limited Partnership	1,049	1,094		-	-	
Keyspan Facilities Income Fund	22,220	28,780		6,194	7,893	
Superior Plus Income Fund	22,468	32,889		21,603	27,480	
	90,377	121,732	8.7%	33,473	45,253	5.3%
PIPELINE AND UTILITY						
Algonquin Power Income Fund	6,056	7,287		7,266	8,411	
Atlantic Power Corporation IPS	16,250	17,469		-	-	
Bell Nordiq Income Fund	8,908	14,248		8,276	11,572	
Boralex Power Income Fund	1,573	1,737		761	778	
Calpine Power Income Fund	20,313	24,911		12,742	15,710	
Enbridge Income Fund	359	410		-	-	
Fort Chicago Energy Partners L.P.	19,126	28,061		16,357	21,488	
Great Lakes Hydro Income Fund	21,206	29,139		21,960	25,976	
Innergex Power Income Fund	14,482	18,883		14,189	15,589	
Inter Pipeline Fund	23,030	31,354		16,664	20,040	
Northland Power Income Fund	-	-		7,944	9,951	
Pembina Pipeline Income Fund	7,200	9,440		7,276	10,077	
Taylor NGL Limited Partnership	6,297	8,846		1,253	1,434	
TransAlta Power, L.P.	17,112	23,021		8,753	12,002	
TransCanada Power, L.P.	9,382	10,896	-	6,959	8,188	
	171,294	225,702	16.1%	130,400	161,216	19.0%

■ Statements of Investments - continued

December 31, 2004 and 2003

(\$ thousands)	2004			2003		
	Adjusted Cost Base \$	Market Value \$	% of Market	Adjusted Cost Base \$	Market Value \$	% of Market
TRANSPORTATION AND ENVIRONMENT						
BFI Canada Income Fund	17,197	39,217		17,580	26,849	
Contrans Income Fund	10,961	12,009		-	-	
Halterm Income Fund	7	9		-	-	
Livingston International Income Fund	3,657	7,604		4,371	6,806	
Newalta Income Fund	19,374	19,954		-	-	
Oceanex Income Fund	2,737	4,201		2,270	3,216	
TransForce Income Fund	649	835		-	-	
Westshore Terminals Income Fund	14,293	30,325		13,446	16,758	
	68,875	114,154	8.1%	37,667	53,629	6.3%
INDUSTRIALS						
Advanced Fiber Technologies Income Fund	-	-		1,164	1,391	
Ag Growth Income Fund	6,644	7,782		-	-	
Avenir Diversified Income Trust	6,985	9,632		-	-	
Badger Income Fund	8,261	9,547		-	-	
Chemtrade Logistics Income Fund	8,634	13,935		11,142	15,822	
Great Lakes Carbon Income Fund	19,045	19,121		8,760	9,056	
Hardwoods Distribution Income Fund	11,755	13,800		-	-	
PBB Global Logistics Income Fund	354	325		-	-	
Tree Island Wire Income Fund	14,472	23,774		15,146	17,550	
	76,150	97,916	7.0%	36,212	43,819	5.2%
METALS AND MINERALS						
Labrador Iron Ore Royalty Income Fund	16,239	24,018		9,485	13,072	
Noranda Income Fund	11,148	15,786		17,145	20,689	
	27,387	39,804	2.8%	26,630	33,761	4.0%
TOTAL	1,047,443	1,400,222	100.0%	685,154	849,169	100.0%



■ Notes to the Financial Statements

December 31, 2004 and 2003

1. ORGANIZATION OF THE TRUST

EnerVest Diversified Income Trust ("EnerVest") is a closed-end investment trust established under the laws of Alberta pursuant to a Declaration of Trust dated as of August 5, 1997 (as amended and restated from time to time). EnerVest is managed by EnerVest Diversified Management Inc. (the "Manager") and the fund manager is Cypress Capital Management Ltd. (the "Fund Manager"). EnerVest was listed on the Toronto Stock Exchange and commenced operations on August 7, 1997. EnerVest shall continue until the year 2050 and its investment objective is to maximize monthly distributions and provide a cost-effective method of reducing investment risk primarily through investments in royalty and income trusts.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The following is a summary of the significant accounting policies.

Cash

Cash comprises cash on hand.

Valuation

Investments are stated at market values based on closing market quotations. Short-term debt instruments are recorded at cost which approximates market value. The fair value of other financial instruments included in the balance sheet approximate their carrying value due to their short maturity or earn interest at a floating interest rate.

Income recognition

Investment transactions are recorded on the trade date. Realized gains or losses resulting from the sale of investments and unrealized appreciation or depreciation of investments is determined on an adjusted cost basis. Realized gains or losses resulting from the sale of short-term debt instruments are recorded as interest income. Distributions from income funds and trusts and dividend income earned from portfolio investments are recognized based upon the ex-distribution or ex-dividend date.

Return of capital

Distributions received from income funds and trusts that are a return of capital for income tax purposes are separately identified within the statement of changes in net assets and reduce the average cost base of the underlying securities in the investment portfolio.

Financial instruments

Financial instruments include portfolio investments which are carried at market value. All other financial instruments, including, but not limited to, accounts receivable, distributions receivable, accounts payable, accrued liabilities and distributions payable, approximate market value due to their short-term nature.

Measurement uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

3. PROMISSORY NOTE RECEIVABLE

In connection with the public offering of Trust Units in 1999, EnerVest paid solicitation and advisory fees totalling \$499,135 which are to be reimbursed by the Manager over a ten year period ending December 22, 2009. The receivable is evidenced by a promissory note under which principal payments are being made to EnerVest in 40 equal payments of \$12,478 plus interest at the rate of prime plus 0.25% per annum commencing April 1, 2000. The payment dates are the first day of January, April, July and October of each year.

4. DISTRIBUTIONS TO UNITHOLDERS

Distributions, as declared by the Manager, are made on a monthly basis to Unitholders of record on the last day of each month, payable no later than the 15th day of the following month. Monthly, EnerVest is required to distribute to each Unitholder, as a minimum, their pro-rata share of the income and other distributions which EnerVest has received or realized from its investments during the month less estimated expenses of EnerVest.

5. CREDIT FACILITY

EnerVest maintains a margin account at a major brokerage firm. As at December 31, 2004, the margin account limit was \$230 million, of which \$228 million (2003 - \$129 million) was utilized. Such borrowing is restricted to 20% of EnerVest's total assets. This facility is due on demand, is secured by certain portfolio investments and bears interest at prime minus 0.5% per annum.



6. UNITHOLDERS' EQUITY

The authorized capital of EnerVest consists of an unlimited number of EnerVest Units. A beneficial interest in the net assets and the net income of EnerVest is divided into transferable non-redeemable Trust Units of equal value. Each unit is entitled to one vote and to participate equally with all other Trust Units with respect to all payments made to holders of Trust Units out of EnerVest's assets. During 2004 and 2003, Trust Units were issued as follows:

(in thousands)	2004		2003	
	Number of Units	Amount \$	Number of Units	Amount \$
Units, beginning of year	100,205	633,482	60,392	394,394
Issued	48,095	328,172	39,813	247,169
Cost of public issue	-	(10,318)	-	(8,081)
Units, end of year	148,300	951,336	100,205	633,482

In February 2004 and 2003, EnerVest closed rights offerings, issuing an additional 25,058,519 and 20,135,005 Trust Units respectively, for gross proceeds of \$159.1 million and \$118.8 million respectively.

In October 2004 and 2003, EnerVest closed exchange offerings whereby EnerVest issued 22,537,786 and 19,426,971 Trust Units respectively, for gross proceeds of \$165.5 million and \$126.7 million respectively, in exchange for certain royalty, income trust, and limited partnership units.

Included in issued units for 2004 is \$3,569,084 representing 497,887 units (2003 - \$1,682,402 representing 251,460 units) issued under the distribution reinvestment plan. Pursuant to this plan, Unitholders who are resident in Canada may elect to have all of their cash distributions and additional cash contributions (currently up to \$1,000 per month) invested in additional EnerVest units. Participants do not pay any costs associated with the distribution reinvestment plan including the payment of brokerage commissions. Reinvestment of cash distributions will not relieve participants of any income tax applicable to such distributions.

7. INCOME TAXES

EnerVest is a taxable entity for income tax purposes and is taxable on any income that is not distributed to the Unitholders. It is the intention of EnerVest to distribute all of its net income and sufficient net realized capital gains so that it will not be subject to income taxes, other than foreign withholding taxes, if applicable.

8. RELATED PARTY TRANSACTIONS

The Manager, EnerVest Diversified Management Inc., is responsible for the business affairs of EnerVest and is entitled, pursuant to the Declaration of Trust, to a management fee based on the net asset value of EnerVest at an annual rate of 1.5% on the first \$250 million and 1% thereafter, payable monthly, calculated using the average daily net asset value.

The Manager is also reimbursed for all administrative expenses incurred which relate to the operation of EnerVest. For the year ended December 31, 2004, the administrative expenses charged to EnerVest amounted to \$1,632,577 (2003 - \$1,411,691), and on an annualized basis were 0.17% (2003 - 0.26%) of the average net assets of EnerVest.

Included in accounts payable and accrued liabilities at December 31, 2004 is an amount of \$507,556 (2003 - \$242,825) owed to the Manager for such items.

9. SUBSEQUENT EVENTS

On February 15, 2005, EnerVest closed a rights offering, issuing an additional 29,670,361 Trust Units for net proceeds of approximately \$210.4 million.



■ CORPORATE GOVERNANCE

The Board of Directors (the "Board") and management of the Manager believe in the importance of good corporate governance and its effectiveness in promoting enhanced unitholder value. All corporations listed on the TSX must now annually disclose their approach to corporate governance with specific reference to each of the Guidelines. The Board has commenced a process of analyzing and considering, and implementing the Guidelines in a manner appropriate for EnerVest. This process is on going. In some instances, as described in more detail below, certain of the Guidelines have not been adopted as the Board believes that such Guidelines are not appropriate for EnerVest.

GUIDELINES

1. The Board should explicitly assume responsibility for the stewardship of the Corporation, including;
 - a) the adoption of a strategic planning process;
 - b) the identification of the principal risks of the Trust's business and the implementation of appropriate systems to manage these risks;
 - c) succession planning, including appointing, training and monitoring senior management;
 - d) the Trust's communications policy; and
 - e) the integrity of the Trust's internal control and management information systems.
2. The Board should be constituted with a majority of Individuals who qualify as unrelated directors.
3. The analysis of the application of the principles supporting the conclusion in paragraph 2 above.
4. The Board should appoint a committee of directors composed exclusively of outside, i.e., non-management directors, a majority of whom are unrelated directors, with the responsibility for proposing to the full Board new nominees to the Board and for assessing directors on an ongoing basis.
5. The Board should implement a process to be carried out by the Nomination Committee or other appropriate committee for assessing the effectiveness of the Board as a whole, the committees of the Board and the contribution of individual directors.
6. The existence of an orientation and education program for new recruits to the Board.
7. The size of the Board and the impact of the number of directors upon the Board's effectiveness.
8. The adequacy and form of the compensation of directors should realistically reflect the responsibilities and risk involved in being an effective director.

COMPLIANCE COMMENTS

While the Board of Directors has not explicitly acknowledged its responsibility for the stewardship of EnerVest, the Board of Directors through the Manager is required to manage the business and affairs of EnerVest pursuant to the provisions of the Management Agreement and the Declaration of Trust. The Board of Directors approves strategic planning initiatives formulated by management in consultation with the Chief Executive Officer but has not adopted a formal strategic planning process.

The Board of Directors assumes responsibility for the identification of the principal risks of EnerVest's business and the implementation of appropriate systems to manage these risks and the integrity of EnerVest's internal control and management information systems through the activities of the audit committee.

The responsibility of the Board for the succession planning process with respect to the appointment, training and monitoring of senior management is met through the activities of the entire Board which meets on a periodic basis to review the succession planning process of management.

The Board has generally delegated the communications policy to the senior management. Unitholder communications are generally handled by EnerVest's Client Services Department; however, on occasion other members of management or Directors may communicate with unitholders directly.

The Board assumes responsibility for both the internal controls and management information of EnerVest.

The Board is currently composed of five directors, three of whom qualify as unrelated.

Mr. Streukens, President and CEO of the Manager and Mr. Fischer, CFO, are related directors by virtue of these positions. The remaining members of the Board are independent of management and are free from any interest and any business or other relationship (other than interests and relationships arising from unitholdings), which could, or could reasonably be perceived to, materially interfere with such director's ability to act in the best interests of EnerVest.

The Board has retained the responsibility for proposing to the full board new nominees to the Board. The Board has no formal process for assessing directors on an on-going basis. Nominations have generally been the result of recruitment efforts by the Board.

The Board has not implemented a formal process for assessing the effectiveness of the Board as a whole, the committees of the Board and the contribution of individual directors.

The Board has not instituted any formal process at this time for an education or orientation program for new directors.

The Board believes that its current size is appropriate.

Periodically the Board reviews the compensation of directors and believes that the present compensation is fair.

GUIDELINES - continued

9. Committees of the Board should generally be composed of outside directors, a majority of whom are unrelated directors.
10. The Board's responsibility for (or a committee of the Board's general responsibility for) developing the Corporation's approach to governance issues.
11. The Board has developed:
 - a) position descriptions for the Board and for the CEO, involving the definition of the limits to management's responsibilities; and
 - b) the corporate objectives for which the CEO is responsible for meeting.
12. The structures and procedures ensuring that the Board can function independently of management.
13.
 - a) The Audit Committee of the Board should be composed only of outside directors.
 - b) The roles and responsibilities of the Audit Committee should be specifically defined.
 - c) The Audit Committee should have direct communication channels with the internal and external auditors to discuss and review specific issues as appropriate.
 - d) The Audit Committee's duties should include oversight responsibility for management reporting on internal controls and should ensure that management has designed and implemented an effective system on internal controls.
14. The existence of a system which enables an individual director to engage an outside adviser at the expense of the Corporation in appropriate circumstances.

COMPLIANCE COMMENTS - continued

EnerVest currently has one committee being the Audit Committee. This committee is comprised of three directors, two of which are regarded by the Board of Directors as being unrelated.

The Board of Directors has retained responsibility for developing EnerVest's approach to corporate governance and to ensure the continuing effectiveness of the Board and its various committees.

The Board has not developed formal position descriptions for the Board, nor the CEO although the Board of Directors has set certain guidelines for the limits of authority on members of management.

The Board has not chosen an unrelated director to be Chairman, nor established any other formal procedures to ensure that the Board can function independently of management. However, the Board believes that it does function independently from management since its composition has 60% independent and unrelated directors.

The Audit Committee consists of Messrs. Streukens, Martin and Sedgwick, two of which are unrelated directors. The mandate of the Audit Committee includes oversight of the nature and scope of the annual audit, management's reporting on internal accounting standards and practices, financial information and accounting systems and procedures, financial reporting and statements and recommending, for Board approval, the audited financial statements and other mandatory disclosure releases containing financial information. The Audit Committee meets at least annually with EnerVest's auditors to review the scope of the audit, the result of the audit and the auditor's evaluation of EnerVest's internal controls.

The Board permits the Directors, when appropriate, to engage outside advisors at the expense of EnerVest.

■ BOARD APPROVALS AND STRUCTURE

The Board responds to and if it considers appropriate approves, with such revisions as it may require, trust objectives and recommended courses of action, which have been brought forward by Board members and management. The Board retains plenary power for those functions not specifically delegated by it from time to time to management. In addition to maintaining the powers it must retain by statute, significant business activities, actions and communications proposed to be taken or submitted by EnerVest are subject to Board approval.

Significant changes, long range plans, major changes in the organizational structure of EnerVest, annual financial statements, major acquisition and disposition transactions, major financing transactions involving the issuance of units, debt or other commitments, appointment of officers and succession plans are all subject to Board approval.

■ EXPECTATIONS OF SENIOR MANAGEMENT

The Board is involved in monitoring and assessing senior management through its regular contact with the management team, most of whom participate in presentations to the Board. In addition, the Board assesses the individual performance of the President and Chief Executive Officer and the rest of senior management as part of its review process.



■ TRUST INFORMATION

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Derek C. Martin (1)
Jeffrey J. McCaig
S. Neil Sedgwick (1)
Michael L. Streukens (1)

(1) *Member of the Audit Committee*

OFFICERS

Michael L. Streukens
President & CEO

David J. Fischer
C.F.O.

J. Ward Mallabone
Secretary

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Chief Investment Officer

CUSTODIAN

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TRUSTEE, TRANSFER AGENT & REGISTRAR

Computershare Trust Company of Canada
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Tel: (800) 332-0095

AUDITORS

PricewaterhouseCoopers LLP
Calgary, Alberta

STOCK EXCHANGE LISTING

Toronto Stock Exchange

SYMBOL

EIT.UN

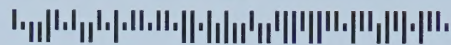




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EnerVest Diversified Income Trust



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